

## NEW HORIZONS II

New Horizons II is our five-year strategy from 2006 to 2010. It continues on the broad strategic direction and successes of New Horizons (2003 to 2005). The emphasis is on embedding OCBC in the region through a build-and-transfer approach, and on continuing our efforts to build a high performance bank through a balanced scorecard discipline.



### Seek International Growth

We will deepen our market penetration in Malaysia, Indonesia and China and explore opportunities to establish strategic partnerships in Indochina. Our aim is to grow our market share in the consumer and SME segments in Indonesia and China by transferring successful business models and product solutions to existing branches and alliances in the two countries.

### Build a High Performance Bank

#### Customers

- We aim to sustain our top 3 consumer banking position and become one of the top 3 corporate banks in the combined Singapore-Malaysia market.

#### Products

- We will build more best-in-class products and strive to become known for product innovation by sustaining 15% revenue contribution from new products annually.
- We aim to be one of the top 3 banks for wealth management, credit cards and unsecured lending in the combined Singapore-Malaysia market.

#### Risk Management

- We will expand our balance sheet proactively to deliver enhanced risk-return, and execute our Basel II implementation plan in line with regulatory guidelines.
- We aim to maintain our position as one of the highest rated banks in Asia-Pacific.

#### Productivity

- We will leverage our cross-border processing hubs in Singapore and Malaysia to deliver further efficiency gains.
- We strive to be an efficient, low cost service provider.

#### People

- We will build people resources with a focus on diversity, cross-border management skill sets and competencies to support our overseas expansion efforts.
- We will maintain our share ownership schemes so that all our employees can easily own OCBC shares.
- We aim to continually improve employee satisfaction so that we are increasingly recognised as a regional employer of choice.

#### Shareholder value

- We aim to deliver 10% earnings per share growth annually, as well as achieve and sustain ROE of above 12%.
- We will periodically review our target minimum dividend payout of 45% of core earnings for possible increase.
- We will continue to divest non-core assets at the right time and invest the gains in core financial services growth opportunities, and return excess capital to shareholders via share buyback programmes.

## REPORT CARD 2006

### Customers

- Expanded consumer customer base by 4%
- Maintained No. 1 position in bancassurance
- Launched interactive ATM; first in Asia to do so
- Increased total revenues of large corporate business by 8%
- Expanded SME customer base by 9%
- Increased cross sell ratio for SME business by 35%
- Launched more than 10 innovative products and services for SMEs

### Products

- Launched 78 new products which accounted for 13.5% of revenues
- Increased *Velocity@ocbc* customer base and transaction volumes
- Named Best Corporate/Institutional Internet Bank in Malaysia by Global Finance
- Maintained No. 1 position in bancassurance
- Increased number of credit cards in Singapore and Malaysia by 18%, exceeding the 1 million mark
- Achieved strong survey rankings for SGD and MYR treasury products
- Lion Capital garnered 17 local and overseas awards and 16 new mandates exceeding S\$500 million

### Risk Management

- Remained on track to implement Basel II in 2008 with parallel run for credit risk in 2007
- Set up new team to undertake active portfolio management strategies
- Maintained strong credit ratings: Aa3 by Moody's, A+ by S&P and AA- by Fitch
- Achieved Risk Management House of the Year Award 2006 by Asia Risk

### Productivity

- Reduced unit processing cost by 9% across 7 operations factories
- Completed cross-border hubbing for 4 work streams, with up to 70% of Singapore transactions now being processed in Malaysia
- Provided quality training for more than 7,600 employees to-date
- Completed 10 process improvement projects with expected S\$19 million margin savings

### People

- Improved employee engagement score by 5 percentage points
- Increased employee shareholding to 39% from 29%
- Improved participation rate in *2nd Employee Share Purchase Plan* ("ESPP") to 42%, up from 33% for 1st ESPP
- Created more opportunities for cross-border assignments for employees
- Developed a structured 3-year management development programme for all new executives
- Increased average training man-days by 16% to 7.9 days

### Shareholder Value

- Improved core ROE to 11.8% for 2H06
- Increased core EPS by 13% vs 10% target
- Raised minimum dividend payout to 45% of core earnings; actual payout amounted to 49%
- Realized S\$559 million gains from divestments and invested S\$449 million in Great Eastern Holdings ("GEH"), Ningbo Commercial Bank ("NCB") and VP Bank
- Ranked 16th among global large-cap financial institutions for total shareholder returns over 3, 5 and 10 years

### Overseas Expansion

#### Indonesia

- Established 69 new Bank NISP branches, increasing network to 259 branches
- Garnered more than 700 SME sign-ups for *Velocity@nisp*
- Increased bancassurance fees by 40% with further collaboration between GEH and Bank NISP

#### China

- Acquired 12.2% stake in Ningbo Commercial Bank ("NCB")
- Launched joint initiatives with NCB in trade finance, investment banking, cross-border financing and treasury
- Received regulatory approval to prepare for local incorporation
- Commenced operations by Great Eastern Life Assurance (China) Company Ltd, a joint venture between GEH and Chongqing Land Properties Group

## SINGAPORE

In Singapore, we are leveraging on our customer insights to deliver attractive value propositions and differentiated customer experiences.

Focusing on service excellence, we have launched several initiatives to provide our customers with greater convenience and differentiated offerings. These initiatives include full-service Sunday banking at five of our branches, secure cellphone mobile banking (a first in Southeast Asia), and an interactive ATM service (a first in Asia) that recognises customers and prompts them to update their contact details. A Quick Cheque Deposit service for our SME customers was established at five selected Shell petrol stations, another industry first.

To address SMEs' need for hassle-free financing, we launched the *Business Term Loan*, providing up to S\$150,000 in working-capital financing to SMEs with no collateral required and a fast approval-turnaround time of no more than five days from application.



NTUC continues to be an important partner as we work together to offer simple financial products and services to meet the needs of the community. During the year, we launched two insurance products to help young union members as they build their families. The Children Plan is the only insurance plan available in the market for those who want to cover their children for unexpected hospitalisation expenses as well as pre-tertiary education expenses.

Maintaining a strong foundation as we expand into the region



## MALAYSIA

We continue to deepen our market and product penetration in Malaysia.

We are capitalising on opportunities arising from financial liberalisation to further expand our network and to reach out to more customers. We added 3 new branches in Malaysia in 2006, bringing our network to 28 branches nationwide. We also joined forces with three other major foreign banks to launch *HOUSE*, a shared ATM network which gives our customers access to more than 300 ATMs throughout the country. In addition, we continued to leverage on the distribution potential of Great Eastern's agents through a cross-referral programme, which contributed half of the 36% increase in our Malaysia card base in 2006.

We continue to enhance our product innovation to better meet customers' needs. We were the first bank in Malaysia to offer Islamic personal financing approvals within a day, reducing the time for cash disbursements from three weeks previously to just five days. Through our secured cheque writing software, we helped our SME clients achieve efficiency in the printing and issuance of cheques. We have also implemented a structured trade finance programme to provide pre-shipment financing to our SME clients.

Making further inroads into our largest overseas market



## INDONESIA

We are building Indonesia as a major growth engine after Singapore and Malaysia.

Our subsidiary, Bank NISP, is rapidly investing in its network and human resources as it seeks to grow its SME and consumer businesses in Indonesia. 69 new offices were added in 2006, bringing its network to 259, while its ATM network grew by more than 100 to 346. It plans to open more than 75 new offices in 2007. Staff strength also expanded by nearly 40% to more than 4,300.

We have intensified our business collaboration and capability-transfer efforts to support Bank NISP's growth strategy. For example, Bank NISP's customer-facing staff are being trained in OCBC's customer service programme. *Velocity@nisp*, modelled on our award-winning corporate internet banking and cash management platform, achieved healthy sign-ups among SME customers. In bancassurance, the collaboration with Great Eastern Life has contributed to a 40% jump in Bank NISP's insurance fee income.

Powering rapid growth through Bank NISP





## CHINA

We are positioned for long term growth in China through our partnership with Ningbo Commercial Bank and our local incorporation plans.

Following the acquisition of a 12.2% stake in Ningbo Commercial Bank (“NCB”), we are working closely with NCB to further grow its SME and consumer businesses, through a comprehensive training and technical assistance programme. We have launched several joint initiatives with NCB in the areas of trade finance, investment banking, cross-border financing and treasury.

We are also growing organically in China through our existing network of seven branches and representative offices, riding on the strong investment inflow and growth in intra-regional trade. We received regulatory approval in February 2007 to commence preparations for local incorporation, which will allow us to offer a broader range of RMB products and services for both consumer and SME customers. We expect our subsidiary to be established by the end of 2007.

Gearing up for stronger presence in Asia's fastest growing economy



## CORPORATE SOCIAL RESPONSIBILITY

We are actively helping the communities that we operate in even as we grow our businesses.

Our corporate social responsibility programme focuses on helping children and young adults realise their full potential. We continue to actively support our adopted charity, the Singapore Children's Society ("SCS"). Apart from our donation of S\$2.5 million over five years, many of our employees also volunteered their time and skills to help the children in various activities. Working with Alpha Financial Advisers (a subsidiary of Great Eastern Holdings), we developed a money management programme, including an engaging board game, to teach the SCS children sound saving-and-spending habits.

To help raise the literacy level of children from less privileged backgrounds, we are contributing S\$450,000 over three years to the NTUC Childcare Bright Horizons Trust Fund. In addition, we launched two new OCBC scholarships to enable students from China, Indonesia and Malaysia to pursue higher education in Singapore.



Following the May 2006 earthquake in Yogyakarta, we made a joint-donation with Bank NISP of S\$180,000 to help rebuild schools and distribute books and uniforms to affected children.

Playing our part in inculcating financial literacy in children and young adults

